

PG&E Corporation  
Condensed Consolidated Statements of Income  
(in millions, except per share amounts)

(in millions, except per share amounts)	(Unaudited)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
<b>Operating Revenues</b>				
Electric	\$ 2,359	\$ 2,214	\$ 4,534	\$ 4,077
Natural gas	828	803	2,009	2,088
<b>Total operating revenues</b>	<b>3,187</b>	<b>3,017</b>	<b>6,543</b>	<b>6,165</b>
<b>Operating Expenses</b>				
Cost of electricity	884	781	1,607	1,311
Cost of natural gas	396	368	1,150	1,241
Operating and maintenance	922	982	1,842	1,844
Depreciation, amortization, and decommissioning	430	421	860	835
<b>Total operating expenses</b>	<b>2,632</b>	<b>2,552</b>	<b>5,459</b>	<b>5,231</b>
<b>Operating Income</b>	<b>555</b>	<b>465</b>	<b>1,084</b>	<b>934</b>
Interest income	37	41	89	64
Interest expense	(185)	(164)	(375)	(318)
Other income, net	10	28	14	28
<b>Income Before Income Taxes</b>	<b>417</b>	<b>370</b>	<b>812</b>	<b>708</b>
Income tax provision	148	138	287	262
<b>Net Income</b>	<b>\$ 269</b>	<b>\$ 232</b>	<b>\$ 525</b>	<b>\$ 446</b>
<b>Weighted Average Common Shares Outstanding, Basic</b>	<b>350</b>	<b>346</b>	<b>350</b>	<b>345</b>
<b>Net Earnings Per Common Share, Basic</b>	<b>\$ 0.75</b>	<b>\$ 0.65</b>	<b>\$ 1.46</b>	<b>\$ 1.26</b>
<b>Net Earnings Per Common Share, Diluted</b>	<b>\$ 0.74</b>	<b>\$ 0.65</b>	<b>\$ 1.45</b>	<b>\$ 1.25</b>
<b>Dividends Declared Per Common Share</b>	<b>\$ 0.36</b>	<b>\$ 0.33</b>	<b>\$ 0.72</b>	<b>\$ 0.66</b>

Source: PG&E Corporation's and Pacific Gas and Electric Company's Condensed Consolidated Financial Statements and Notes thereto included in PG&E Corporation's and Pacific Gas and Electric Company's combined Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with Generally Accepted Accounting Principles ("GAAP")  
Second Quarter and Year-to-Date, 2007 vs. 2006  
(in millions, except per share amounts)

	Three months ended June 30,				Six months ended June 30,			
	Earnings (Loss)		Earnings (Loss) per		Earnings (Loss)		Earnings (Loss) per	
	2007	2006	2007	2006	2007	2006	2007	2006
PG&E Corporation Earnings from Operations <sup>(1)</sup>	\$ 269	\$ 228	\$ 0.74	\$ 0.64	\$ 525	\$ 442	\$ 1.45	\$ 1.24
Items Impacting Comparability <sup>(2)</sup>								
Scheduling Coordinator Cost Recovery <sup>(3)</sup>	-	22	-	0.06	-	22	-	0.06
Environmental Remediation Liability <sup>(4)</sup>	-	(18)	-	(0.05)	-	(18)	-	(0.05)
Total	-	4	-	0.01	-	4	-	0.01
PG&E Corporation Earnings on a GAAP basis	\$ 269	\$ 232	\$ 0.74	\$ 0.65	\$ 525	\$ 446	\$ 1.45	\$ 1.25

- Earnings from operations exclude items impacting comparability.
- Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and six months ended June 30, 2007, PG&E Corporation did not have any items impacting comparability to report.
- Items impacting comparability for the three and six months ended June 30, 2006 reflect the recognition of approximately \$22 million (\$0.06 per common share), after tax, of a regulatory asset related to certain scheduling coordinator ("SC") costs incurred from 1998 to 2005 and a reversal of a reserve for SC costs under the Scheduling Coordinator Services ("SCS") Tariff offset by SCS refunds to the existing wholesale transmission customers.
- Items impacting comparability for the three and six months ended June 30, 2006 reflect an increase of approximately \$18 million (\$0.05 per common share), after-tax, in the estimated cost of environmental remediation associated with the Utility's gas compressor station located near Hinkley, California as a result of changes in the California Regional Water Quality Control Board's imposed remediation levels.

Reconciliation of Pacific Gas and Electric Company's Earnings from Operations to Consolidated Net Income in Accordance with GAAP  
Second Quarter and Year-to-Date, 2007 vs. 2006  
(in millions)

	Three months ended June 30,		Six months ended June 30,	
	Earnings (Loss)		Earnings (Loss)	
	2007	2006	2007	2006
Pacific Gas and Electric Company				
Earnings from Operations <sup>(1)</sup>	\$ 270	\$ 223	\$ 528	\$ 437
Items Impacting Comparability <sup>(2)</sup>				
Scheduling Coordinator Cost Recovery <sup>(3)</sup>	-	22	-	22
Environmental Remediation Liability <sup>(4)</sup>	-	(18)	-	(18)
Total	-	4	-	4
Pacific Gas and Electric Company Earnings on a GAAP basis	\$ 270	\$ 227	\$ 528	\$ 441

1. Earnings from operations exclude items impacting comparability.
2. Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and six months ended June 30, 2007, Pacific Gas and Electric Company did not have any items impacting comparability to report.
3. Items impacting comparability for the three and six months ended June 30, 2006 reflect the recognition of approximately \$22 million, after tax, of a regulatory asset related to certain SC costs incurred from 1998 to 2005 and a reversal of a reserve for SC costs under the SCS Tariff offset by SCS refunds to the existing wholesale transmission customers.
4. Items impacting comparability for the three and six months ended June 30, 2006 reflect an increase of approximately \$18 million, after-tax, in the estimated cost of environmental remediation associated with the Utility's gas compressor station located near Hinkley, California as a result of changes in the California Regional Water Quality Control Board's imposed remediation levels.

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PG&E Corporation Earnings per Common Share ("EPS") from Operations  
Second Quarter 2007 vs. Second Quarter 2006  
(\$/Share, Diluted)

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Q2 2006 EPS from Operations <sup>(1)</sup>	\$	0.64
Rate base revenue increase		0.09
Gas transmission revenue		0.02
Miscellaneous items		0.01
Environmental remediation		(0.01)
Share variance		(0.01)
Q2 2007 EPS from Operations <sup>(1)</sup>	\$	<u>0.74</u>

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Year-to-Date 2007 vs. Year-to-Date 2006  
(\$/Share, Diluted)

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Q2 2006 YTD EPS from Operations <sup>(1)</sup>	\$	1.24
Rate base revenue increase		0.16
Gas transmission revenue		0.02
Storm costs <sup>(2)</sup>		0.02
Miscellaneous items		0.03
Environmental remediation		(0.01)
Share variance		(0.01)
Q2 2007 YTD EPS from Operations <sup>(1)</sup>	\$	<u>1.45</u>

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1. For a reconciliation of EPS from operations to EPS on a GAAP basis, see table titled Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with GAAP.
2. Costs incurred in 2006 with lower level of costs in 2007.

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PG&E Corporation EPS Guidance

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2007 EPS Guidance

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	Low	High
EPS Guidance on an Earnings from Operations Basis	\$ 2.70	\$ 2.80
Estimated Items Impacting Comparability	\$ 0.00	\$ 0.00
EPS Guidance on a GAAP Basis	<u>\$ 2.70</u>	<u>\$ 2.80</u>

2008 EPS Guidance

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	Low	High
EPS Guidance on an Earnings from Operations Basis	\$ 2.90	\$ 3.00
Estimated Items Impacting Comparability	\$ 0.00	\$ 0.00
EPS Guidance on a GAAP Basis	<u>\$ 2.90</u>	<u>\$ 3.00</u>

Management's statements regarding 2007 and 2008 guidance for earnings from operations per common share for PG&E Corporation constitute forward-looking statements that are based on current expectations and assumptions which management believes are reasonable, including that the Utility earns at least its authorized rate of return on equity while growing its asset base and controlling its costs in line with regulatory approvals, and that the ratemaking capital structure is maintained at 52 percent equity. These statements and assumptions are necessarily subject to various risks and uncertainties. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- . the Utility's ability to timely recover costs through rates;
- . the outcome of regulatory proceedings, including ratemaking proceedings pending at the California Public Utilities Commission ("CPUC") and the Federal Energy Regulatory Commission ("FERC");
- . the adequacy and price of electricity and natural gas supplies, and the ability of the Utility to manage and respond to the volatility of the electricity and natural gas markets;
- . the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on the Utility's facilities and operations, its customers and third parties on which the Utility relies;
- . the potential impacts of climate change on the Utility's electricity and natural gas businesses;
- . changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology, including the development of alternative energy sources, or other reasons;
- . operating performance of the Utility's Diablo Canyon nuclear generating facilities ("Diablo Canyon"), the occurrence of unplanned outages at Diablo Canyon, or the temporary or permanent cessation of operations at Diablo Canyon;
- . the ability of the Utility to recognize benefits from its initiatives to improve its business processes and customer service;
- . the ability of the Utility to timely complete its planned capital investment projects;
- . the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
- . the impact of changing wholesale electric or gas market rules, including new rules of the California Independent System Operator to restructure the California wholesale electricity market;
- . how the CPUC administers the conditions imposed on PG&E Corporation when it became the Utility's holding company;
- . the extent to which PG&E Corporation or the Utility incur costs and liabilities in connection with litigation that are not recoverable through rates, from third parties, or through insurance recoveries;
- . the ability of PG&E Corporation and/or the Utility to access capital markets and other sources of credit;
- . the impact of environmental laws and regulations and the costs of compliance and remediation;
- . the effect of municipalization, direct access, community choice aggregation, or other forms of bypass; and
- . other risks and factors disclosed in PG&E Corporation's and Pacific Gas and Electric Company's SEC reports.